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No. 01-1015

In the Supreme Court of the United States

VICTOR MOSELEY,
CATHY MOSELEY, dba VICTOR'S LITTLE SECRET,
PETITIONERS

v.

V SECRET CATALOGUE, INC., ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONERS IN PART

THEODORE B. OLSON
Solicitor General
Counsel of Record

ROBERT D. MCCALLUM, JR.
Assistant Attorney General

LAWRENCE G. WALLACE
Deputy Solicitor General

IRVING L. GORNSTEIN
Assistant to the Solicitor General

ANTHONY J. STEINMEYER
MARK S. DAVIES
Attorneys

Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

JAMES A. TOUPIN
General Counsel

JOHN M. WHEALAN
Solicitor

NANCY C. SLUTTER

CYNTHIA C. LYNCH

JAMES R. HUGHES
Associate Solicitors
Patent and Trademark Office
Washington, D.C. 20231

QUESTIONS PRESENTED

The United States will address the following questions, which are included within the question presented by petitioners:

1. Whether a plaintiff seeking an injunction under the Federal Trademark Dilution Act of 1995, 15 U.S.C. 1125(c)(1), must establish present dilution or whether a showing of a likelihood of future dilution is sufficient.

2. Whether a showing that consumers mentally associate the defendant's mark with the plaintiff's mark because of their similarity is sufficient to establish actionable dilution.

3. Whether a showing that the defendant's mark has caused economic harm to the plaintiff is necessary to establish actionable dilution.

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INTEREST OF THE UNITED STATES

This case concerns the showing that must be made to establish dilution of a famous trademark under the Federal Trademark Dilution Act of 1995 (FTDA), 15 U.S.C. 1125. The United States has a substantial interest in the resolution of that question. The Trademark Trial and Appeal Board (TTAB) of the United States Patent and Trademark Office (PTO) has a statutory responsibility to rule on allegations that a proposed trademark would dilute a famous mark. 15 U.S.C. 1052(f), 1063, 1064; see 15 U.S.C. 1092. Congress anticipated that, through the exercise of that statutory responsibility, the TTAB "would give guidance to liti-

gants and the Trademark Bar, through precedent, with respect to such issues as * * * what constitutes dilution." H.R. Rep. No. 250, 106th Cong., 1st Sess. 6 (1999). Thus far, the TTAB has issued one precedential decision on the standards for proving dilution. *Toro Co.* v. *ToroHead Inc.*, 61 U.S.P.Q.2d (BNA) 1164 (TTAB 2001).

STATEMENT

1. The Federal Trademark Dilution Act of 1995 provides that the "owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. 1125(c)(1). The Act defines "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. 1127. The Act does not treat as actionable dilution the fair use of a mark in comparative advertising, a noncommercial use of the mark, or news reporting and commentary. 15 U.S.C. 1125(c)(4).

The owner of a famous mark who establishes actionable dilution is entitled "only to injunctive relief * * * unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." 15 U.S.C. 1125(c)(2). If willful intent is proven, the owner of the famous mark may also obtain an award of defendant's profits, any damages sustained, and a court order that

the diluting mark be delivered up and destroyed. 15 U.S.C. 1125(c)(2), 1117(a), 1118.

2. The owner of a trademark used in commerce may apply to the PTO to register the mark on PTO's "principal register." 15 U.S.C. 1051(a)(1). A person who has an "intention" to use a mark in commerce may also apply to register a mark. 15 U.S.C. 1051(b)(1). Ownership of a mark registered with PTO serves as a complete bar to state law dilution claims. 15 U.S.C. 1125(c)(3).

In general, a person may oppose registration of a mark or seek to have it canceled. Following enactment of the FTDA, however, the TTAB held that a trademark could not be opposed or canceled based on alleged dilution. *Babson Bros.* v. *Surge Power Corp.*, 39 U.S.P.Q. 2d (BNA) 1953 (TTAB 1996). In response to that decision, Congress enacted the Trademark Amendments Act of 1999, permitting dilution claims to be raised in opposition and cancellation proceedings. Under the 1999 Act, a person may file an opposition with PTO when he "believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution," 15 U.S.C. 1063(a). Similarly, a person may petition PTO to cancel the registration of a mark when he believes "that he is or will be damaged, including as a result of dilution." 15 U.S.C. 1064. Under the 1999 Act, "[a] mark which when used would cause dilution * * * may be refused registration" by PTO and "[a] registration for a mark which when used would cause dilution * * * may be canceled" by PTO. 15 U.S.C. 1052(f).

3. Respondent V Secret Catalogue, Inc. is the owner of the "Victoria's Secret" registered mark and licenses Victoria's Secret Catalogue, LLC and Victoria's Secret Stores, Inc. (also respondents) to use that mark. Pet.

App. 3a. Respondents sell "a complete line of women's lingerie, as well as other clothing and accessories." *Id.* at 3a-4a. "According to a recent survey, Victoria's Secret is rated as the ninth most famous brand in the apparel industry." *Id.* at 4a.

In February 1998, petitioners Victor and Cathy Moseley opened a store called "Victor's Secret" in a shopping mall in Elizabethtown, Kentucky. Pet. App. 4a. Petitioners' store sells men's and women's lingerie, adult videos, sex toys, and adult novelties. *Ibid.* After petitioners received a letter from respondents demanding that they cease and desist from using the name "Victor's Secret," petitioners changed the name of their store to "Victor's Little Secret." *Ibid.*

Respondents then filed suit in federal district court, alleging, *inter alia*, that petitioners' use of the name "Victor's Little Secret" dilutes respondents' famous "Victoria's Secret" mark in violation of the FTDA. Pet. App. 4a-5a.[1] On cross-motions for summary judgment, the district court found in respondents' favor on their dilution claim. *Id.* at 37a-40a. It found that petitioners' mark is "sufficiently similar" to respondents' famous mark to cause dilution. *Id.* at 39a. It further determined that petitioners' mark dilutes respondents' famous mark "because of its tarnishing effect upon the Victoria's Secret mark." *Ibid.* The court reasoned that "[w]hile [petitioners'] inventory may not be unsavory to all, its more risque quality widely differentiates it from that of [respondents]." *Ibid.* The court therefore enjoined petitioners "from using the mark 'Victor's Little

[1] It was undisputed by the parties that the "Victoria's Secret" mark is "famous." See 15 U.S.C. 1125(c)(1) (listing some factors that may be considered in "determining whether a mark is distinctive and famous").

Secret' on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark." *Ibid.*

The court of appeals affirmed. Pet. App. 1a-27a. The court noted that "a split has developed among the circuits with respect to one crucial element [of the federal dilution cause of action]: whether a plaintiff must prove actual, present injury to its mark to state a federal dilution claim." *Id.* at 15a. The court held that such proof is not required and that a finding of dilution may be based on "an inference of likely harm to the senior mark." *Id.* at 25a. The court reasoned that "requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult." *Ibid.* Relying on the Second Circuit's decision in *Nabisco, Inc.* v. *PF Brands, Inc.*, 191 F.3d 208 (1999), the court adopted a list of ten factors "to determine [whether] dilution has, in fact, occurred." *Ibid.* Those factors include the famous mark's distinctiveness, the similarity of the marks, proximity of the products, shared consumers, sophistication of consumers, actual confusion, and the referential quality of the junior use. *Ibid.*

The court of appeals determined that respondents "would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors." Pet. App. 27a. Specifically, the court found that "the Victoria's Secret mark is quite distinctive," and that it is therefore "deserving of a high degree of trademark protection." *Id.* at 26a. The court further determined that "the two marks in question are highly similar" because they are "semantically almost identical" and "graphically similar as well." *Ibid.* Based on that similarity, the court found that the average lingerie consumer would associate "a store called 'Victor's Little Secret' that sold women's lingerie with the more

famous 'Victoria's Secret.'" *Id.* at 26a-27a. The court reasoned that "[w]hile no consumer is likely to go to [petitioners'] store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to [petitioners'] adult-toy, gag gift, and lingerie shop." *Ibid.* Based on those considerations, the court concluded that this case "is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)." *Ibid.*

SUMMARY OF ARGUMENT

A. A plaintiff seeking an injunction under the FTDA must show that some dilution of his famous mark has already occurred. The text of the Act specifies that the owner of a famous mark may obtain an injunction against another person's use of a mark if such use "*causes* dilution of the distinctive quality of the mark." 15 U.S.C. 1125(c)(1) (emphasis added). The use of the present tense "causes" rather than the conditional "would cause" or the future tense "will cause" signals that the dilution sought to be remedied must have already begun. The background of the FTDA confirms that interpretation. State law dilution statutes enacted before the FTDA permit relief based on a showing of "a likelihood of dilution." Congress's rejection of a "likelihood of dilution" standard in favor of a "causes dilution" standard shows that Congress intended to require a showing that dilution is already occurring as a predicate for relief.

Moreover, several years after the FTDA was enacted, Congress specifically authorized the PTO to refuse to register a trademark and to cancel a previously registered trademark when the use of the trademark "would cause dilution." 15 U.S.C. 1052(f). At the same time, Congress made no change in the "causes dilution" standard applicable in judicial proceedings. Congress thus sought to channel claims of purely prospective dilution to the PTO, and to limit judicial relief to cases where some dilution has already occurred.

B. A showing that two marks are so similar that consumers mentally associate the marks is important evidence in a dilution case. But such evidence does not automatically establish that dilution is occurring. The statutory definition of dilution is the "lessening of the capacity of a famous mark to identify and distinguish goods or services," 15 U.S.C. 1127, and marks that remind consumers of a famous mark do not always have that effect. For example, Utah's "Greatest Snow on Earth" mark may remind consumers of Ringling Brothers' "Greatest Show on Earth" mark. But the one word difference between the marks may trigger quite different product and service associations. As long as consumers view the two marks as distinct and associate Utah's mark exclusively with skiing in Utah and Ringling Brothers' mark exclusively with the circus, there is no basis for a finding of dilution.

Dilution plaintiffs are not without means to establish dilution when it exists. In deciding whether a mark would cause dilution, the PTO considers factors such as whether the junior mark is essentially the same as the famous mark, the renown of the famous mark, and whether target customers are likely to associate two different products with the mark. Those inquiries are also relevant in a judicial proceeding.

Moreover, in a judicial proceeding, a well-designed consumer survey may have particular relevance. In

this case, for example, a survey could have asked consumers what products they associate with "Victoria's Secret." If consumers who were not aware of "Victor's Little Secret" identified lingerie, while consumers who were aware of "Victor's Little Secret" identified lingerie and sex toys, an inference of dilution might be warranted. Consumers could also have been asked what attributes do you associate with "Victoria's Secret." If consumers aware of "Victor's Little Secret" responded "tasteless," while persons not aware of "Victor's Little Secret" responded "tasteful," an inference of dilution might be drawn.

C. The FTDA does not require a dilution plaintiff to establish that the defendant's use of a mark has caused consumers to purchase less of a particular product or has caused the market value of the famous mark to decline. Congress anticipated that the lessening of the capacity of a mark to distinguish goods and services would result in such economic harm, particularly over time. But the text of the FTDA only requires proof that a junior use causes a lessening in the capacity of the famous mark to distinguish goods and services; it does not require a finding that such a lessening results in economic harm to the owner of the famous mark.

D. Although the court of appeals' opinion is ambiguous, there is a substantial possibility that it found only a likelihood of future dilution, rather than the existence of any present dilution. For that reason, its decision should be vacated. Moreover, the court premised its finding of a violation merely on a determination that the "Victor's Little Secret" mark is sufficiently similar to the "Victoria's Secret" mark to cause consumers to mentally associate the two marks. Because evidence that consumers mentally associate two marks does not automatically lead to an inference of dilution under the

FTDA, that aspect of the court of appeals' decision should be reversed. On the other hand, the court of appeals correctly held that a dilution plaintiff is not required to show that he has suffered economic harm, and that aspect of its decision should be affirmed.

ARGUMENT

A PLAINTIFF SEEKING AN INJUNCTION UNDER THE FTDA MUST SHOW THAT THE USE OF DEFENDANT'S MARK HAS ALREADY CAUSED SOME DILUTION OF HIS FAMOUS MARK. WHILE EVIDENCE THAT CONSUMERS MENTALLY ASSOCIATE THE TWO MARKS DOES NOT AUTOMATICALLY SATISFY THAT STANDARD, PROOF OF ECONOMIC HARM IS NOT REQUIRED

The court of appeals in this case held that a dilution plaintiff does not have to introduce proof of "actual economic harm," but may rely instead on evidence that establishes an "inference of likely harm." Pet. App. 25a. Applying that analysis, the court upheld the district court's finding of dilution, reasoning that "Victor's Little Secret" and "Victoria' Secret" are highly similar and that consumers who hear the name "Victor's Little Secret" are therefore likely automatically to think of the more famous store and link it to petitioners' store. *Id.* at 27a.

Petitioners contend that the court of appeals' analysis conflicts with the Fourth Circuit's interpretation of the FTDA in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc.* v. *Utah Div. of Travel Dev.*, 170 F.3d 449, cert. denied, 528 U.S. 923 (1999), and they urge adoption of the Fourth Circuit's interpretation. In *Ringling Brothers*, the Fourth Circuit held that (1) a dilution plaintiff must prove that some dilution has already occurred, and may not rely on proof of a likeli-

hood of future dilution; (2) proof that consumers mentally associate the defendant's mark with the famous mark does not automatically establish actionable dilution; and (3) a dilution plaintiff must prove that the use of the defendant's mark has caused economic harm. 170 F.3d at 458, 460-461.

The Fourth Circuit's first two holdings correctly interpret the FTDA, and the court of appeals in this case erred to the extent it concluded otherwise. But the Fourth Circuit's holding that a dilution plaintiff must prove actual economic harm imposes a requirement not imposed by the FTDA.

A. The FTDA Is An Outgrowth Of State Dilution Laws, But Does Not Replicate Those Laws In Every Respect

A resolution of the questions presented in this case is informed by an understanding of the background of the FTDA. The following is a summary of that background.

1. Traditional trademark law prohibits the use of a mark that is likely to cause confusion about the source of a product. 15 U.S.C. 1114, 1125(a)(1)(A). That prohibition seeks to assure a potential customer that a product with a particular mark is made by the same producer as other similarly marked items that the customer liked or disliked in the past. *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 163-164 (1995). That prohibition simultaneously seeks to assure a producer that it, and not an imitating competitor (whose products may be inferior), will obtain the financial rewards of making a desirable product. *Id.* at 164.

In 1927, Frank Schecter offered a different rationale for protecting trademarks. Shechter argued that "the value of the modern trademark lies in its selling power," that "this selling power depends" on the mark's "uniqueness and singularity," and that "such uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods." Frank I. Schecter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 831 (1927). Schecter offered examples of impairments that should be prohibited such as the use of "Kodak" on bathtubs and cakes, the use of "Mazda" on cameras and shoes, and the use of "Ritz-Carlton" on coffee. *Id.* at 830. The injury in such cases, Schecter argued, is "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* at 825. In support of his new theory of trademark protection, Schecter relied on a German case that had referred to the impairment caused by the use of a unique mark on non-competing goods as dilution. *Id.* at 831-832.

In 1947, Massachusetts became the first State to offer protection against trademark dilution, specifying that "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief * * * notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services." Act of May 2, 1947, ch. 307, § 7A, 1947 Mass. Acts 300. In 1964, the Trademark Association adopted a Model Bill that is similar to the original Massachusetts statute. The Model Bill provides that "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." Model State Trademark Bill 12 (1964), *reprinted in* 3 J. Thomas McCarthy, *McCarthy*

on Trademarks and Unfair Competition § 22:8 (4th ed. 1998) (*McCarthy on Trademarks*). By 1994, approximately 25 States had adopted dilution statutes with similar language. Restatement (Third) of Unfair Competition § 25, at 275-276 (statutory note) (1995) (Restatement).

State statutes have been interpreted as offering protection to distinctive marks against at least two forms of dilution—blurring and tarnishing. 4 *McCarthy on Trademarks* §§ 24:68, 24:69. Blurring tracks Schecter's original conception of dilution. It occurs when a distinctive mark is associated with the goods of another producer, disturbing the conditioned mental association between the distinctive mark and the goods it has been used to identify. Restatement § 25, at 267. Tarnishing occurs when a distinctive mark is linked with goods that have inherently negative associations, such as pornography or illicit drugs, displacing positive feelings about the distinctive mark and replacing them with negative ones. *Ibid.*

2. Although the FTDA is an outgrowth of state dilution statutes, the text of the FTDA differs from the text of the typical state statutes in several respects. Of particular relevance here, although state statutes make "likelihood" of dilution a predicate for relief, the FTDA authorizes relief only when the use of a mark "causes dilution." 15 U.S.C. 1125(c)(1). Moreover, whereas the state statutes contain no definition of dilution, the FTDA defines dilution as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. 1127.

Like the state statutes, the FTDA does not refer directly to the concepts of blurring or tarnishing. But the House Report accompanying the FTDA states that the FTDA is intended "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." H.R. Rep. No. 374, 104th Cong., 1st Sess. 2 (1995). The report further states that the concept of dilution "applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular," and it gives as examples of actionable dilution, "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos." *Id.* at 3.

B. A Dilution Plaintiff Must Show That Some Dilution Has Already Occurred

The text of the FTDA, when read in light of its background, requires a dilution plaintiff to establish that some dilution has already occurred as a predicate for obtaining judicial relief. A showing that there is a likelihood of dilution in the future is insufficient by itself to entitle a dilution plaintiff to relief.

1. The text of the Act specifies that the owner of a famous mark may obtain an injunction "against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes* dilution of the distinctive quality of the mark." 15 U.S.C. 1125(c)(1) (emphasis added). The use of the present tense "causes" rather than the conditional "would cause" or the future tense "will cause" signals that the dilution sought to be remedied must have already begun.

The use of the unmodified phrase "causes dilution," rather than the phrase "causes a likelihood of dilution," reinforces that conclusion. A "likelihood of dilution"

standard makes future harm the basis for the claim. A "causes dilution" standard, in contrast, makes present ongoing injury the basis for the claim. Congress's selection of a "causes dilution" standard rather than a "likelihood of dilution" standard is particularly significant because the state dilution statues that predated the FTDA expressly incorporate a likelihood of dilution standard. The logical inference is that Congress deliberately rejected the state model of authorizing relief based on the possibility of future harm alone, and required instead a showing that dilution has already begun.

The failure to adopt a likelihood of dilution standard also contrasts sharply with the "likelihood of confusion" standard that Congress adopted for its prohibition against false designation of origin and false description. 15 U.S.C. 1125(a)(1)(A) (making liable any person who uses any designation "which is likely to cause confusion"). The prohibition appears in the same Section of the United States Code—15 U.S.C. 1125—as the prohibition against dilution. Congress also used the phrase "likelihood of confusion" in the Section of the United States Code defining dilution, specifying that dilution could be proven, "regardless of the presence or absence of * * * likelihood of confusion." 15 U.S.C. 1127. The overwhelming implication is that Congress "intentionally and purposely" rejected a "likelihood of dilution" standard in favor of a "causes dilution" standard. See *Barnhart* v. *Sigmon Coal Co.*, 122 S. Ct. 941, 951 (2002).

The FTDA also provides that the conduct prohibited is the "use" of a mark that causes dilution, not merely "the threatened use" of a mark. 15 U.S.C. 1125(c)(1). That reference to "use" rather than "threatened use" also supports the conclusion that Congress did not provide a cause of action for prospective dilution alone.

2. Subsequent legislative developments confirm that interpretation of the FTDA. In 1999, several years after the FTDA was enacted, Congress specifically authorized the PTO to refuse to register a trademark and to cancel a previously registered trademark on dilution grounds. Under the 1999 Act, a person may file an opposition to a trademark when he "believes that he *would be* damaged by the registration of a mark upon the principal register, including as a result of dilution." 15 U.S.C. 1063 (emphasis added). Similarly, a person may petition PTO to cancel registration of a mark when he believes "that he is *or will be* damaged, including as a result of dilution." 15 U.S.C. 1064 (emphasis added). The use of the conditional "would" and the future tense "will" signal that a person may complain to PTO about the possibility of dilution before the dilution has occurred. Other provisions of the 1999 Act lead to the same conclusion. Under the Act, PTO may refuse registration of "[a] mark *which when used would cause dilution,*" and it may cancel "[a] registration for a mark *which when used would cause dilution.*" 15 U.S.C. 1052(f) (emphasis added). The "which when used" language not only makes clear that a person may complain about dilution before the dilution has occurred; it also makes clear that a person may complain about prospective dilution before the allegedly diluting mark has been used in commerce.

Although Congress amended the law to permit PTO to examine claims that the use of a mark "would cause" dilution in the future, it made no change in the "causes dilution" standard applicable in judicial proceedings. That contrast between the "would cause" dilution standard applicable in PTO proceedings, and the "causes dilution" standard applicable in judicial proceedings shows that Congress intended to channel claims of

prospective dilution to PTO, and to limit judicial relief to cases where some dilution has already occurred.

Indeed, the House Report to the 1999 Amendments makes precisely that distinction between judicial and PTO proceedings. It states that the FTDA "provides for injunctive relief *after the identical or similar mark has been in use and has caused actual dilution* of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark." H.R. Rep. No. 250, 106th Cong., 1st Sess. 5 (1999) (emphasis added). In contrast, the House Report explains, resolution of the issue of dilution in PTO opposition and cancellation proceedings "would provide certainty to competing trademark interests, *before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark.*" *Id.* at 5-6 (emphasis added).

3. In *Nabisco, Inc.* v. *PF Brands, Inc.*, 191 F.3d 208 (1999), relied upon by the court of appeals in this case, Pet. App. 23a-24a, the Second Circuit rejected the requirement that a dilution plaintiff must prove that dilution has occurred as a predicate for relief on the ground that such an interpretation of the FTDA "would subject the senior user to uncompensable injury." 191 F.3d at 224. Under the FTDA, however, a dilution plaintiff is not required to show that there has been serious damage to the mark, much less that the value of the mark has been destroyed. A dilution plaintiff need only show that there has been some "lessening of the capacity of a famous mark to identify and distinguish goods or services." 15 U.S.C. 1127. Congress could have reasonably concluded that the owner of a famous mark could easily recover from such interference, and

that requiring such injury as a predicate to relief is preferable to putting the courts in the position of predicting the future without evidence that some dilution has already occurred.

The requirement that a dilution plaintiff establish that some dilution has already occurred also does not result in uncompensable injury in all cases. Congress authorized an award of monetary relief when there is proof of a willful violation. 15 U.S.C. 1117(a), 1125(c)(2). Significantly, the 1999 Amendments also permit the owner of a famous mark to seek relief from the PTO before suffering any dilution. 15 U.S.C. 1052(f), 1063, 1064.

The Second Circuit also concluded that requiring use of a mark in commerce before a dilution claim may be brought would have adverse consequences for a junior user who might want to seek a declaratory judgment before launching a new mark. *Nabisco*, 191 F.3d at 224. The court reasoned that "[i]f the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution," a junior user would be "obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that [its] mark will not be enjoined." *Ibid.* But a junior user may make a limited introduction of a mark, and then seek a declaratory judgment based on the absence of dilution. Alternatively, the junior user and senior user may agree to have the issue resolved by the PTO before the junior mark has been launched.

In any event, the text of the FTDA, when construed in light of its background and subsequent legislative developments, makes clear that a dilution plaintiff must prove that some dilution has already occurred as a predicate for judicial relief. The Second Circuit's policy

considerations do not justify departing from that statutory requirement.

C. A Showing That Consumers Mentally Associate Two Marks Because Of Their Similarity Does Not Automatically Establish Dilution

1. The remaining questions concern what kind of evidence is sufficient to prove that dilution has already begun. The FTDA's statutory text, when read in light of its background, does not authorize relief in all cases where the junior mark and the famous mark are so similar that consumers mentally associate one mark with the other. The text of the Act does not prohibit the use of a mark that is "substantially similar" to a famous mark. It prohibits the use of a mark that "lessen[s] the capacity of the famous mark to identify and distinguish goods and services." 15 U.S.C. 1127. Moreover, marks that are substantially similar to a famous mark do not invariably lessen the capacity of the famous mark to identify and distinguish goods and services. Marks that have substantial similarities to a famous mark may also have substantial differences, and those differences may lead consumers to view the marks as two distinct marks that stand for two entirely different sets of goods and services. When that happens, the famous mark retains the same capacity to identify and distinguish goods and services as before, and there is no violation of the FTDA.

The same principle holds true even when a mark is so similar to a famous mark that consumers presented with the mark are reminded of the famous mark. Mental association of that kind can be significant evidence in a dilution case. But it does not automatically show that dilution has occurred.

For example, Utah's "Greatest Snow on Earth" mark may remind consumers of Ringling Brothers' "Greatest Show on Earth" mark. But the one word (indeed one letter) difference between the marks may provoke very different product and service associations. As long as consumers view the two marks as distinct and associate Utah's mark exclusively with skiing in Utah and Ringling Brothers' mark exclusively with the circus, there is no basis for a finding of dilution. So too, consumers presented with the "Pepsi-Cola" mark may be reminded of the "Coca-Cola" mark because Pepsi-Cola and Coca-Cola are soft drink competitors. But that does not inhibit the capacity of either mark to distinguish one brand of soft drink from the other. William G. Barber, *How to Do a Trademark Dilution Survey (or Perhaps How Not to Do One)*, 89 Trademark Rep. 616, 620 (1999). Courts applying state dilution statutes have similarly concluded that, while marks that parody or spoof a distinctive mark may remind consumers of that mark, they do not invariably blur or tarnish the original mark.[2] Thus, proof that consumers mentally associate two marks because of their

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[2] *Hormel Foods Corp.* v. *Jim Henson Prods., Inc.*, 73 F.3d 497, 500-501, 506-508 (2d Cir. 1996) (finding that use of a wild beast named "Spa'am" in a Muppet movie did not blur or tarnish the SPAM mark); *Jordache Entrs., Inc.* v. *Hogg Wyld, Ltd.*, 828 F.2d 1482, 1489-1490 (10th Cir. 1987) (finding that use of "Lardache" mark on jeans for larger women did not blur or tarnish the Jordache mark); *New York Stock Exchange, Inc.* v. *New York, New York Hotel, LLC*, 69 F. Supp. 2d. 479, 490-493 (S.D.N.Y. 1999) (finding that use of New York $lot Exchange as a mark for a Las Vegas casino did not blur or tarnish the New York Stock Exchange mark); *Tetley, Inc.* v. *Topps Chewing Gum, Inc.*, 556 F. Supp. 785, 787, 794 (E.D.N.Y. 1983) (finding that stickers that satire famous products with cards such as "Pupsi-Cola: The Soft Dunk for Dogs" did not blur or tarnish the original marks).

similarity does not invariably raise an inference of dilution.[3]

2. The examples of "actionable dilution" in the House Report—"the use of DUPONT shoes, BUICK aspirin, and KODAK pianos," H.R. Rep. No. 374, *supra*, at 3—do not suggest that mental association automatically establishes dilution. Those examples all involve exact replications of a famous mark. Dilution may be inferred in those cases not simply because consumers will associate the two marks; rather, dilution may be inferred because consumers will view the two marks as the *same mark* and associate *a new product* with that mark. For example, when the BUICK mark is used to identify aspirin, it is reasonable to infer that some number of consumers would associate the BUICK mark not only with cars, but with aspirin, lessening the capacity of the BUICK mark to serve as an exclusive identifier of cars.

A similar inference of dilution might be warranted when a junior mark is not exactly the same as the original, but is so similar that consumers would widely perceive them to be the same mark—for example the use of KODAC on pianos. But that is very different from holding that any similarity that causes consumers to associate two marks is sufficient in all cases to establish dilution.

3. The principle that dilution may not invariably be inferred from the similarity of marks or from evidence that consumers mentally associate the marks does not

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[3] One court has suggested that "an occasional replicating use might even enhance a senior mark's 'magnetism'—by drawing renewed attention to it as a mark of unshakable eminence worthy of emulation by an unthreatening non-competitor." *Ringling Bros.*, 170 F.3d at 460.

leave a dilution plaintiff without the means to prove actionable dilution. In deciding whether a mark would cause dilution, the PTO considers factors such as whether the junior mark is "essentially the same" as the famous mark, the "renown" of the famous mark, and "whether target customers are likely to associate two different products with the mark, even if they are not confused as to the different origins of these products." *Toro Co.* v. *ToroHead Inc.*, 61 U.S.P.Q. 2d (BNA) 1164, 1183 (TTAB 2001). Those inquiries are also relevant in a judicial proceeding. See H.R. Rep. No. 250, *supra*, at 6 (stating that PTO "would give guidance to litigants and the Trademark Bar, through precedent, with respect to such issues as * * * what constitutes dilution").

Similarly, state courts examining the question whether there is a likelihood of dilution have considered a variety of forms of evidence, including the similarity of the marks, a comparison of marketing methods and channels, the nature of the goods, the sophistication of purchasers, and the degree of distinctiveness of the famous mark. Restatement § 25, at 270-271. While the relevance and probative value of each of those factors may vary with the facts of a particular case, those factors may also be considered in determining whether there has been a lessening in the capacity of a famous mark to identify and distinguish goods and services in violation of the FTDA.

Of course, PTO and the state courts make a predictive judgment concerning whether dilution will occur in the future; they are not required to find that some dilution has already occurred Accordingly, the evidentiary showing necessary in those proceedings may differ from the evidentiary showing necessary in a judicial proceeding under the FTDA.

4. In the context of a judicial proceeding under the FTDA, a well-designed consumer survey may have particular relevance. Different kinds of surveys are capable of supplying evidence of dilution. One kind of survey asks consumers what products they associate with the famous mark. If consumers who are not aware of the junior mark identify only products made by the owner of the famous mark, while consumers who are aware of the junior mark identify products made by both the owner of the famous mark *and* products made by the owner of the junior mark, an inference of dilution may be warranted. Barber, *supra*, 89 Trademark Rep. at 630; Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Tradmark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. Colo. L. Rev. 295, 329-330 (1999). In this case, for example, a survey could have asked consumers what products they associate with "Victoria's Secret." If consumers who were not aware of "Victor's Little Secret" identified lingerie, while consumers who were aware of "Victor's Little Secret" identified lingerie and sex toys, an inference of dilution might be warranted.

Another kind of survey asks consumers to name the attributes they associate with a famous mark. If consumers who are aware of the junior mark name fewer positive attributes or more negative attributes than consumers who are not aware of the junior mark, an inference of dilution might be warranted. Eric A. Prager, *The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 Fordham Intell. Prop. Media & Ent. L.J. 121, 132 (1996); Barber, *supra*, 89 Trademark Rep. at 630. For example, in this case consumers could have been asked what attributes do you associate with "Victoria's Secret." If consumers aware of "Victor's Little Secret" responded "tasteless,"

while persons not aware of "Victor's Little Secret" responded "tasteful," an inference of dilution might be drawn.

A similar approach is to ask consumers to rate a particular quality of a famous mark. If consumers aware of the junior mark give a significantly different rating than consumers who are not aware of that mark, an inference of dilution may be warranted. Bible, *supra*, 70 U. Colo. L. Rev. at 328-329. For example, in this case, consumers could be asked, on a scale of 1-9, with 1 being tasteless and 9 being tasteful, how do you rate "Victoria's Secret." If consumers who were aware of "Victor's Little Secret" gave "Victoria's Secret" a lower tastefulness rating than those who were not aware of that mark, an inference of dilution might follow. Those examples do not necessarily exhaust the kind of survey evidence that may be probative of dilution. Other survey techniques have also been identified. *Id.* at 330 (discussing surveys that assess variation in the time it takes for a consumer to associate a product with the famous mark, and variation in the order in which products are identified); Prager, *supra*, 7 Fordham Intell. Prop. Media & Ent. L.J. at 132-133 (discussing the use of a confusion survey); Barber, *supra*, 89 Trademark Rep. at 631 n.62 (identifying other approaches that appear in the literature).

Consumer survey evidence has been criticized as a basis for proving dilution on the ground that such evidence is subject to manipulation. *Nabisco*, 191 F.3d at 224. Courts must be cautious in evaluating the probative value of consumer surveys, just as they must be cautious in evaluating the probative value of many other kinds of evidence. But that is not a basis for categorically ruling out such evidence as a method for proving dilution. A properly designed and executed

survey can have significant weight in a dilution case, just as it can have significant weight in a trademark infringement case. Restatement § 23, at 250-251 (stating that survey evidence is useful in proving a likelihood of confusion).

Nor is it fatal to the value of consumer surveys that they may, in some cases, be expensive and time consuming. *Nabisco*, 191 F.3d at 224. National companies already sample consumer opinion, and there is no reason to believe that the category of companies that have "famous" marks will be unable to absorb the costs of conducting surveys that are capable of creating an inference of dilution.

Consumer surveys of the kind discussed above are likely to have less importance in the dilution inquiry conducted by PTO. Because a party challenging a mark in a PTO proceeding need not establish that dilution has already occurred, that party may have less need to rely on consumer surveys. In addition, in some cases, PTO is required to make a predictive judgment even before a challenged mark has been used in commerce. In such cases, the kind of consumer survey evidence discussed above would not be available, and PTO would have to base its determination on different kinds of consumer surveys and other factors.

Even in the context of a judicial proceeding under the FTDA, a consumer survey is not a necessary element of proof in all cases. Congress did not direct that evidence supporting a dilution claim must take a particular form. The relevant question is whether use of the junior mark lessens the capacity of the famous mark to identify and distinguish goods and services, and a party is free to introduce any evidence that is relevant on that issue.

D. A Dilution Plaintiff Is Not Required To Establish That He Has Suffered Economic Harm

The text of the FTDA and its background do not support a further requirement that a plaintiff establish economic harm in order to qualify for relief. In particular, there is no requirement that a dilution plaintiff establish that the defendant's use of a mark has caused consumers to purchase less of a particular product or has caused the market value of the famous mark to fall. Congress expected that the lessening of the capacity of a mark to distinguish goods and services would result in such economic harm, particularly over time. H.R. Rep. No. 374, *supra*, at 3-4 (referring to the need for protection of the commercial value of a famous mark). But the text of the FTDA only requires proof that a junior use causes a lessening in the capacity of the famous mark to distinguish goods and services; it does not require a finding that such a lessening results in economic harm to the owner of the famous mark.

The House Report's examples of actionable dilution reinforce that conclusion. While it is reasonable to infer that the use of BUICK to identify aspirin lessens the capacity of that mark to serve as a unique identifier of cars, it is far more problematic to infer from that act alone that Buick would experience lost sales or that the market value of its mark would fall.

It is also significant that Congress has required PTO to make judgments about whether a mark would cause dilution in the future, even when such marks have not been used in commerce. PTO has the capacity to make a reasoned judgment about whether such a prospective use of a mark would lessen the capacity of a famous mark to distinguish goods and services. It would be exceedingly difficult, however, for PTO to make predic-

tive judgments about the economic consequences of a particular use. Although PTO examines whether the use of a mark would cause dilution in the future, while a court examines whether dilution has already begun, the inquiries mandated by the relevant statutes are otherwise the same. Thus, if economic injury is a necessary predicate for a finding of a dilution violation in a judicial proceeding, PTO would be placed in the difficult position of having to speculate about whether the use of a mark would cause economic harm in the future. That consequence would be avoided by a holding, consistent with the text of the FTDA, that a dilution plaintiff need not prove that the use of a mark causes economic harm. Nonetheless, if evidence of economic harm is available, it is likely to be admissible as relevant and probative in the dilution inquiry.

E. The Court Of Appeals' Decision Should Be Vacated In Part, Reversed In Part, And Affirmed In Part

1. It is unclear whether the court of appeals in this case required proof that some dilution has already occurred as a predicate for relief, or whether it premised its finding of a violation on a likelihood of future dilution. On the one hand, the court of appeals adopted the test for dilution established by the Second Circuit in *Nabisco*, Pet. App. 23a-25a, and the *Nabisco* court squarely held that a plaintiff could obtain an injunction "before the dilution has actually occurred." 191 F.3d at 224-225. On the other hand, the court of appeals in this case described the *Nabisco* factors as a list of ten factors "used to determine if dilution has, in fact, *occurred*." Pet. App. 25a (emphasis added).

The court of appeals' statement (Pet. App. 25a) that it would determine whether there was an "inference of likely harm to the senior mark instead of requiring

actual proof" is also ambiguous. The court could have meant that it would be satisfied with proof that dilution is likely to occur in the future. On the other hand, it could have meant that a dilution plaintiff need only show that it is likely that dilution has already occurred.

To the extent that the court of appeals held that a dilution plaintiff may obtain relief by establishing a likelihood of future dilution, and need not show that some dilution has already occurred, it erred. Because there is a substantial possibility that the court of appeals adopted that standard, its decision with respect to that issue should be vacated.

2. The court of appeals found a violation of the FTDA based merely on a determination that the "Victor's Little Secret" mark is sufficiently similar to the "Victoria's Secret" mark to cause consumers to mentally associate the two marks. Pet. App. 26a-27a. Because evidence that consumers mentally associate two marks does not automatically lead to an inference of dilution under the FTDA, the court of appeals' decision should be reversed to that extent.

3. Finally, the court of appeals correctly held that a dilution plaintiff is not required to show that he has suffered economic harm. That aspect of the court's decision should be affirmed.

CONCLUSION

The judgment of the court of appeals should be vacated in part, reversed in part, and affirmed in part, and the case should be remanded for further consideration under the correct legal standards.

Respectfully submitted.

THEODORE B. OLSON
Solicitor General

ROBERT D. MCCALLUM, JR.
Assistant Attorney General

LAWRENCE G. WALLACE
Deputy Solicitor General

IRVING L. GORNSTEIN
Assistant to the Solicitor General

ANTHONY J. STEINMEYER
MARK S. DAVIES
Attorneys

JAMES A. TOUPIN
General Counsel

JOHN M. WHEALAN
Solicitor

NANCY C. SLUTTER

CYNTHIA C. LYNCH

JAMES R. HUGHES
Associate Solicitors
Patent and Trademark Office

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